

EDUCATION FUND



FY14 ADOPTED BUDGET

The **EDUCATION FUND** accounts for taxes collected and allocated for school operations. The County reports the Education Fund as a major fund. Education is clearly the number one priority for the County and its primary expenditure challenge. The FY14 budget reflects the impact of significant changes to the structure and funding for education within Shelby County that have occurred over the past several years.

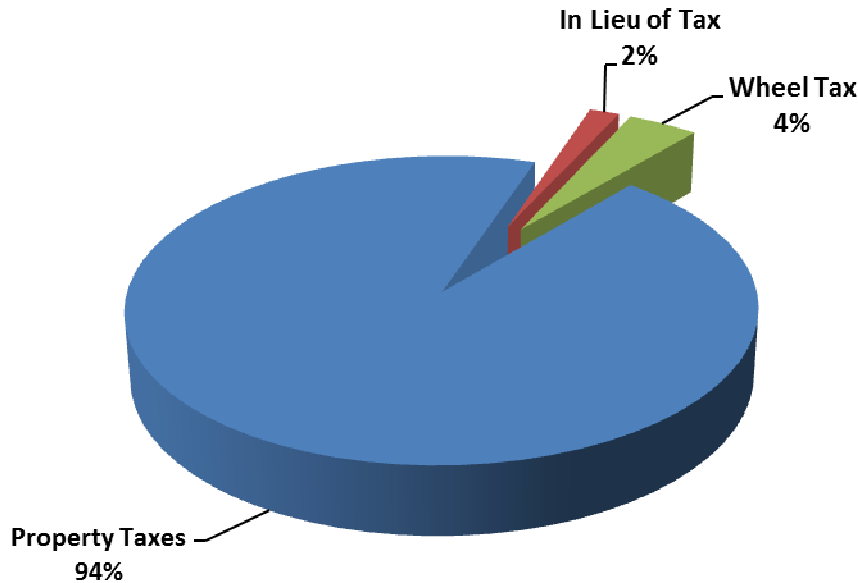
Funding for Education

Including debt service for the schools, Education receives about 60% of all property taxes and represents almost 32% of total countywide expenditures. The County Commission has taxing authority for education funding and responsibility for approving the total amount of funds provided for this purpose. The School Board determines how the funds will be used to best accomplish their mission of educating students.

In addition to property taxes, up to 100% of the wheel tax can be designated for school operating costs and the remainder for repayment of the County’s bonded indebtedness for schools. As specified by Tennessee Code Annotated (TCA) Section 49-3-314, the County is required to maintain a level of funding to schools that is at least equal to the amount provided in the prior year - either in total budget or on a per pupil basis. However, a period of three years is allowed for a post-merger funding level re-set of this “Maintenance of Effort” (MOE) requirement.

The school system receives the following sources of revenue funding from Shelby County:

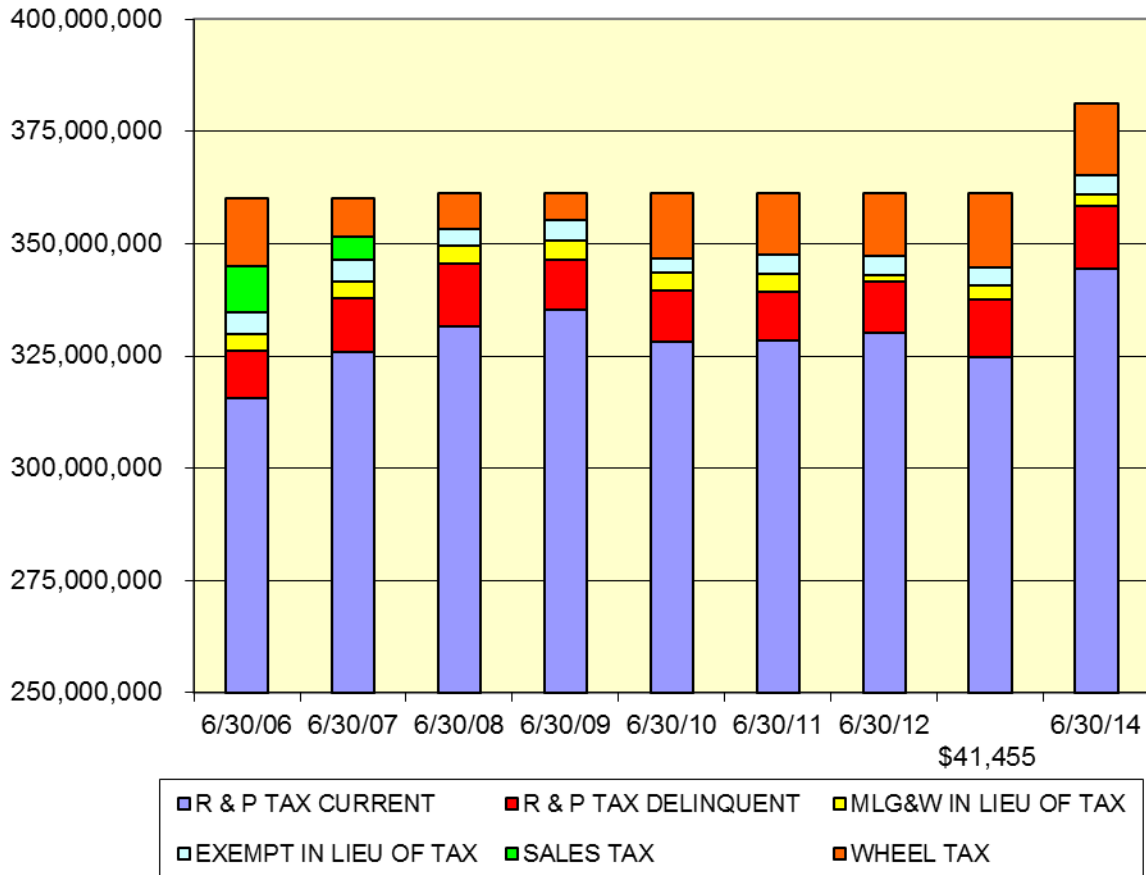
Sources of County Funding for Education



Current and Delinquent Property Taxes provide 94% of all County funding for Education.

The relative share that each source of funding has provided for education over the past nine years is shown below:

**Shelby County Government
Education Funding
FY 2014 Adopted Budget**



County Funding for Education FY2005 - 2014 (10 Years)	
FY2005	\$325,859,655
FY2006 - FY2007	\$360,019,604
FY2008 - FY2013	\$361,288,000
FY2014	\$381,288,000

School Consolidation

As a result of the Memphis City School Board's decision to surrender its charter in 2011, the Memphis City School (MCS) system merged with the Shelby County School (SCS) system effective July 1, 2013. The combined district will educate almost 150,000 students – making it one of the largest school systems in the country. A Transition Planning Commission (TPC) was created by state law in October of 2011 to develop a comprehensive transition plan to guide the consolidation into one unified school system for all students. The TPC plan for consolidation was based on community input and extensive research of local and national practices, and was completed in June 2012.

Beginning with Fiscal Year 2014, education funding will no longer be allocated to MCS and SCS based on the Average Daily Attendance ratio. Instead there will be one consolidated budget for the entire unified school system. The allocation of education funding will undergo another substantial revision next year when six municipalities within Shelby County create independent school districts effective July 1, 2014, as approved in local elections on July 16, 2013.

FY14 Budget Development

The budget for the consolidated Shelby County School system was developed, reviewed and approved by the SCS Board of Education, and then submitted to the Shelby County Commission for funding review and approval. The total funding level for education is included in the County's annual adopted operating budget resolution; a more detailed version of the budget approved by the SCS Board of Education is approved in a separate resolution by the County Commission.

The Shelby County Government FY14 Adopted Budget provides total funding of \$381,288,000 for the consolidated Shelby County School (SCS) system. This amount includes a \$20 million dollar increase over the Maintenance of Effort (MOE) funding level of the past six years. The funding gap was filled by shifting \$.03 cents on the tax rate from the General Fund and Debt to Education and adding an additional \$.06 cents to the property tax rate, for a total allocation of \$2.14 cents for education of the total base property tax rate.

The merged school system made substantial budget reductions during budget development, including a 26% reduction to central staffing, delays to teacher pay scale increases, several school closures, and outsourcing of major service contracts. However, factors such as the loss of \$68 million in funding previously provided by the City of Memphis as a Local Education Agency (LEA) and a declining student enrollment base made the tax increase necessary this year to adequately support their operations.

Funding from the County in the form of Property Taxes, Local Option Sales Tax and In Lieu of Taxes provide about 44% of all funding for the Shelby County Schools Board of Education budget. The State of Tennessee contributes the majority of funding for the SCS budget at about 53% of the total. Other local sources and use of fund balance provide the remaining 3% of funding.

Funding for Capital Improvement Projects has been deferred for FY14, as it was for the prior two fiscal years, pending an evaluation of the capital needs of the consolidated school system.

Average Daily Attendance (ADA) Allocations

“Average Daily Attendance” or “ADA” is a calculation of the aggregate days’ attendance at a given school during a specified reporting period divided by the number of days school is in session during this period, as provided in the rules and regulations of the State Board of Education.

Prior to the merger, the total amount budgeted for education by Shelby County was distributed between the City and County school systems based upon the weighted full-time equivalency (WFTE) Average Daily Attendance (ADA) ratio. This ratio was reviewed annually each spring and certified by the Tennessee State Department of Education. The Shelby County budgeted allocation to each school system was based on the rate in effect at the time of proposed budget development. Actual payments were pro-rated to July 1 of the current year when the revised rate was determined to equalize appropriations between the schools.

An ADA ratio to determine relative share for the City and County school systems is not necessary for FY14, but will again be a consideration for FY15 as multiple municipal school districts become operational within Shelby County.

Historical ADA data is provided in the following table:

Average Daily Attendance Ratios

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>City Schools</u>	<u>County Schools</u>	<u>Total</u>
2014	2013	0.00%	100.00%	100.00%
2013	2012	68.00%	32.00%	100.00%
2012	2011	69.24%	30.76%	100.00%
2011	2010	69.06%	30.94%	100.00%
2010	2009	68.67%	31.33%	100.00%
2009	2008	69.22%	30.78%	100.00%
2008	2007	69.57%	30.43%	100.00%
2007	2006	70.82%	29.18%	100.00%
2006	2005	71.51%	28.49%	100.00%
2005	2004	72.10%	27.90%	100.00%
2004	2003	70.69%	29.31%	100.00%
2003	2002	71.35%	28.65%	100.00%
2002	2001	71.94%	28.06%	100.00%
2001	2000	71.82%	28.18%	100.00%
2000	1999	72.14%	27.86%	100.00%
1999	1998	69.04%	30.96%	100.00%
1998	1997	69.40%	30.60%	100.00%
1997	1996	69.70%	30.30%	100.00%
1996	1995	70.20%	29.80%	100.00%
1995	1994	70.80%	29.20%	100.00%
1994	1993	71.50%	28.50%	100.00%
1993	1992	71.80%	28.20%	100.00%

Account Detail

All Funds

Education

Acct	Description	FY 10 Actual	FY 11 Actual	FY 12 Actual	FY 13 Amended Budget	FY 14 Adopted Budget
4001 - Property Taxes-Current		(347,511,060)	(329,918,377)	(329,658,576)	(324,700,000)	(344,326,000)
4002 - Property Taxes-Delinquent		(13,657,992)	(14,444,221)	(11,626,977)	(12,828,000)	(14,064,000)
4016 - Uptown Redevelopment Incremental Taxes		(71,602)	(71,430)	(74,408)	0	0
40 - Property Taxes		(361,240,654)	(344,434,028)	(341,359,961)	(337,528,000)	(358,390,000)
4105 - MLG&W In Lieu Of Taxes		(3,358,970)	(1,330,491)	0	(3,041,000)	(2,638,000)
4108 - Exempt Property In Lieu Of Taxes		(5,824,005)	(4,176,078)	(3,550,006)	(4,039,000)	(4,202,000)
4160 - Wheel Tax		0	(2,210,543)	(16,378,033)	(16,680,000)	(16,058,000)
41 - Other Local Taxes		(9,182,975)	(7,717,112)	(19,928,039)	(23,760,000)	(22,898,000)
4805 - Interest Income		(1,230)	0	0	0	0
48 - Investment Income		(1,230)	0	0	0	0
Revenue		(370,424,859)	(352,151,140)	(361,288,000)	(361,288,000)	(381,288,000)
8954 - Memphis City Schools		248,096,469	249,463,096	250,135,286	249,122,187	0
8955 - Shelby County Schools		113,191,530	111,824,904	111,152,714	112,165,813	381,288,000
89 - Affiliated Organizations		361,287,999	361,288,000	361,288,000	361,288,000	381,288,000
Affiliated Organizations		361,287,999	361,288,000	361,288,000	361,288,000	381,288,000
Expenditures		361,287,999	361,288,000	361,288,000	361,288,000	381,288,000
Education Total		(9,136,860)	9,136,860	0	0	0